CORNING CREDIT UNION
One Credit Union Plaza | P.O. Box 1450 | Corning, New York 14830-1050
607-962-3144 or 800-677-8506 | www.corningcu.org

April 14, 2010

Ms. Mary Rupp
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314-3428

Re: Comments on Proposed Amendments to Chartering and Field of Membership Manual (IRPS 09-1)

Dear Ms. Rupp:

On behalf of the Management and Board of Corning Federal Credit Union, I would like to take this opportunity to comment on the proposed changes to the Chartering and Field of Membership Manual (IRPS 09-1) as it relates to the process for documenting and approving community charter requests.

We appreciate efforts taken by the NCUA Board to make the application process for community charters and charter expansions more expedient and objective. We fully understand the statutory requirement to clearly define geographic areas and recognize the legal challenges the agency has endured over the years. Without question, the rule as proposed will streamline and make the application process easier for many credit unions that fit into the parameters defined by this rule. However, while well-intentioned, we also believe there are aspects of the proposed rule that will severely limit the ability of a significant portion of federal credit unions desiring to diversify their field of membership by converting to or expanding an existing community charter. With this in mind, we would like to offer the following comments for the Board's consideration and review.

Safety and Soundness

We strongly believe it is in the long-term best interest of the credit union industry and the share insurance fund to retain the option of converting to a community charter for every federal credit union. While we appreciate the Board's desire to streamline the determination of well-defined local communities, we are concerned that as written the

proposed definition is too restrictive, fails to take into account the individual characteristics of a proposed community, and will result in a "one-size-fits-all" approval process. Unfortunately, under this proposal a credit union in critical need of membership diversification for the purposes of strengthening its financial position in the future and located in a community that does not fit precisely within the specified criteria will not have a legitimate option to pursue a community charter. Furthermore, as currently drafted the proposed rule does not allow for any appeal process essentially resulting in a single-track process that will effectively prohibit many credit unions from even submitting an application if their community does not fit squarely into the regulatory box this proposal will create.

In our view, the Board could make a simple modification to the proposed rule that would streamline the process for many credit unions and save the agency time and money in the approval process without eliminating or restricting the community charter option for many credit unions.

We suggest that the agency authorize two options for credit unions seeking a community charter. The first option would be a true streamlined option that would allow the credit union to pursue a community charter under the default community criteria identified in the proposal, such as the proposed matrix of 50% of jobs and 33% of the population in the hub city. Credit unions using this approach would be able to utilize the proposed statistical definition to determine a presumed community that can be submitted without narrative documentation.

The second option would be to provide credit unions with the ability to utilize a narrative statement to demonstrate the existence of a community that falls outside the agency's predetermined community. While such an approach would be cumbersome and more labor intensive than the streamlined process, it would preserve a viable option for credit unions that would not otherwise qualify for a community charter by affording the credit union the ability to make a documented narrative case that their community meets the statutory requirement as a well-defined local community. Although this application would not be streamlined, it should be allowed and fairly considered by the agency as such communities are evaluated today. The application should not be automatically rejected because it does not meet the narrowly defined regulatory matrix as proposed.

Grandfathered Well-Defined Local Communities

We support the agency's proposal to grandfather all previously approved well-defined local communities and accept applications from subsequent applicants who wish to serve the exact same geographic areas.

Definition of Underserved Areas

We strongly oppose using a "concentration of facilities" methodology in defining underserved areas. While this approach may sound logical in theory, it does not accurately determine that residents of a geographic area are underserved by existing depository institutions. This approach does not take into account who the existing institutions are targeting and serving (commercial accounts vs. consumers) or if the institutions are taking a high cost, predatory approach in their service to local residents.

Emergency Mergers

We support the proposed changes to what constitutes a "credit union in danger of insolvency" for purposes of determining whether NCUA may permit an emergency merger to occur.

It is our belief that credit unions should be allowed to merge with any other credit union regardless of field of membership if it will result in better service to the members and a stronger and safer financial institution.

While governed by statute, it is our view that the agency is afforded much latitude in making a determination for what constitutes an emergency merger. If the agency were to exercise greater flexibility in making such determinations, more troubled credit unions would find merger partners before they reach the point of insolvency and risk to the share insurance fund. Once a credit union has fallen to the point of insolvency or danger of insolvency, it is often much more difficult to find a merger partner that can absorb the risk of loan and investment loss that is often inherent in the balance sheet of a failing credit union. This is especially true when it comes to larger credit unions because their pool of merger partners is often much more limited.

Ability to Serve

In general we support the Board's efforts to clarify the Board's expectations for marketing and business plans submitted by credit unions with community charter applications. This is a proper area of focus for the Board, in our view, and will serve to eliminate confusion and uncertainty in the application process. While much of the proposal includes items that are currently required for acceptable business and marketing plans, we agree that there is some value for credit unions to know through regulation what those requirements are.

We strongly feel that a credit union seeking to serve a community based field of membership should make reasonable and diligent efforts to serve the entirety of the membership. However, it is likewise important in our

opinion that the NCUA, when evaluating an application for community charter, recognize that budgets, branching plans, marketing plans, product enhancements and other components of a business and marketing plan must be fluid and not rigid.

While the proposed rule attempts to clarify what will be expected in an acceptable marketing and business plan going forward, we believe the proposal goes beyond providing needed clarification and imposes what some observers have classified as "CRA like" requirements on credit unions that have been approved for a community charter.

We do not dispute the fact that a credit union should be well positioned to serve the entire community in a safe and sound manner. However, we are perplexed by the Board's insertion of a requirement that upon approval of a community charter a credit union will have to undergo an examination for three consecutive years to determine if it is meeting its marketing and business plans. This language is unnecessary as NCUA already has the authority to review business plans for safety and soundness reasons.

As we read the proposal, a credit union's failure to satisfy the terms of its business and marketing plans would subject it to unspecified supervisory or administrative actions. This is troubling for a number of reasons. Without clarification, this leaves a very open-ended set of supervisory options on the table - many of which would not be appropriate in what will by its nature be a subjective examiner decision. Examinations should be focused on safety and soundness with regard to business plans. This has always been the case, and examiners have always been able to examine business plans. Furthermore, it is our view that the lack of specificity in the proposal regarding what form the supervisory actions may take presents a host of unanswered questions that will only add confusion to a proposal that has been promoted as a proposal that will remove uncertainty from the conversion process.

The inclusion of this language in the proposal raises unnecessary fear and uncertainty in the application process and, in our recommendation, should be removed.

We appreciate the opportunity to comment on this proposed rule, and we commend the Board for its efforts to streamline the community chartering process. Hopefully, our comments will be beneficial to you as you continue through this rulemaking process.

Please do not hesitate to contact us if we can be a source of additional information about the matters discussed in this comment letter.

Sincerely,

Gary Grinnell
President and CEO

CC: Chairman Matz
Board Member Hyland
Board Member Fryzel